SUPPORTING BUSINESSES THROUGH COVID RESTRICTIONS AND INTO RECOVERY AND GREATER LOCAL RESILIENCE

This brief paper summarises the continued torrid trading conditions faced by businesses in Yorkshire and Humber, despite the significant grant funding and other measures already in place. The paper concludes with a summary of the support still needed to enable businesses to survive, adapt and thrive, enable a strong recovery and build local resilience into the economy.

What are the challenges?

Equity of Funding

Businesses in areas that were put into Tier 2, and then into Tier 3, prior to national lockdown on 5th November have received unfair and disproportionately lower levels of grant support compared to those in other areas that had little or no restrictions heading into national lockdown. For example, even though Sheffield City Region businesses and residents spent 10 days in Tier 2 and a further 12 days in Tier 3, the £30m Additional Restrictions Grant the area was allocated is equivalent (on a per head basis) to all Tier 1 areas who faced the least restrictive trading conditions prior to the 5th November. Businesses in these areas were also eligible for the 28-day LRSG Open payment.

This does appear inequitable given the restricted conditions under which our businesses had to operate in those 22 days. Arguably South Yorkshire should have had an additional £12.8m Tier 3 allocation and another £2.6m LRSG Open (across the 4 SY LA's).

Likewise, in West Yorkshire, some areas have had restrictions since August. This has had a massive negative impact on local economic activity for months, both for businesses in Hospitality, Accommodation, Leisure and Entertainment and suppliers to those sectors, and this is an issue for all areas that were under higher level tiers prior to national lockdown. This is compounded by the fact that no recovery funding was announced in the Comprehensive Spending Review.

This inequity has led to the unintended consequence of a North/South split as the second wave has hit the North more heavily. In total, over 44,000 Yorkshire and Humber businesses, trading in the Hospitality, Accommodation, Leisure and non-food retail sectors have been directly impacted. This represents 20% of the business base in the region.

Impact of Christmas Trading

There is very strong evidence to show that some venues in hospitality and accommodation make 40% of their annual profits between Halloween and January. The current ARG £20 per head allocation and the LRSG grant fails to take the timing of the trading restrictions on board particularly, for the hospitality, and accommodation sectors and their supply chain. This supply chain has borne the brunt of the restricted or non-existent trading conditions throughout this pandemic and are now facing up to a very difficult Christmas period.

Again, this is an issue that applied nationally for November but will be even more noticeable in December for areas like South Yorkshire which is now back in Tier 3 until at least mid-December. Businesses in West and South Yorkshire, which will remain in Tier 3 until mid-December at the earliest, face severe trading conditions in the run-up to Christmas. The impact of the closure of hospitality will spill into town and city centres and affect footfall, which will then compound the challenges for brick and mortar retail businesses. Many shoppers are likely to stay away from urban centres as part of the enjoyment of shopping is lost if hospitality businesses remain closed.

Amount of Funding – Allocation and Grant Size

The allocation of funding simply does not address the fixed costs faced by businesses. This is reflected in a number of ways:

1) The grant values used by government for 'Closed' businesses and the calculation for Open do not reflect the actual costs faced by a business. A business when closed must still pay rent, utilities, insurance and security as a minimum. In addition, Government indirectly encourages business to top up furlough payments. A grant of £1,334 does cover one month's costs for a business with rent/rateable value of £15,000 and this position gets proportionally worse as the costs increase. The monthly rent alone for a rateable value of £51k is £4,250 but the grant value is £3,000.
2) The LRSG Open calculation is based on the HAL sector but fails to take account of the fact that many of those properties might be classified as retail units on the rating list.
3) The LRSG Open also fails to address non-ratepayers and relies on the ARG to address this area. The ARG will not be enough if restrictions continue beyond December.
4) Overall the whole scheme fails to fully acknowledge non-rate paying businesses with fixed property costs.

Gaps

There are big gaps which ARG will not fully cover if we are to provide meaningful grants:

- Newly self-employed – through no fault of their own have not been able to access SIESS. Sheffield City Region has 10,000 people who became self employed in the previous year, which is 13.1% of all self-employed people in the area, and the highest share of any city region in England. This shows how disproportionately exposed some area, to the consequences of the SEISS eligibility criteria.
- Self-employed/freelancers in the Hospitality, Accommodation, Leisure and Entertainment sectors who have seen their business pretty much dry up and with little or no option to pivot to, and the effects vary across the UK. Generally, a higher percentage of self-employed people in the north of England work in the worst affected sectors, compared to the South. In West Yorkshire alone, we estimate that over 52,000 self employed businesses are still ineligible for SEISS.
- Businesses with no/low property costs - to manage demand, we have had to exclude or reduce grant levels for.

What support do we need?

We need certainty that more funding will be made available when ARG runs out. Specifically, we need support in the following areas:

- Increased discretionary ARG funding to reflect the longer period of restrictions for some areas, the absence of recovery support via CSR and the deeper and wider nature of the unfolding impact (e.g. compromised retail trading conditions even when allowed to open).

- Reconsider the grant levels across all the schemes to ensure they reflect the reality of business costs. This is especially true for businesses with rateable values above £51k.
- Additional support for hospitality businesses required to close in Tier 3 over the Christmas / New Year season in recognition of their greater loss of earnings during what is normally their best trading period.
- Fill in more gaps especially to the self-employed and freelancers.
- Targeted support for businesses in the supply chain of the hospitality, accommodation, leisure and entertainment sectors.
- Support people as well as businesses and top up income where necessary without adverse Universal Credit consequences.
- Support retailers (especially the independent sector) given the significant loss of trade and the severe trading conditions even when allowed to open.
- Enable recovery and build local resilience, thereby supporting the levelling up agenda. This should include a minimum of 2 years funding to support more Start-Up provision (increasing demand for this as people look to set up new ventures following redundancy or the threat of it) and additional support for businesses to adopt digital tech and good practice.
- Finally, we need to work together to reduce the current complexity and myriad of schemes businesses have to navigate to confirm eligibility and access support.